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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 002843

SIPDIS

DOL FOR ILAB/SHEPARD AND SPANGLER

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TAGS: [ELAB](#) [EFIN](#) [PGOV](#) [JA](#)

SUBJECT: CITING FINANCIAL TURMOIL, UNIONS SEEK HIGHER WAGES

REF: TOKYO 2780

Classified By: Ambassador J. Thomas Schieffer for reasons 1.4 b/d.

Summary

1. (C) Financial turmoil in the United States is exacerbating the downturn in Japan's real economy, a top trade union official told Emboffs, and the effects are likely to continue to put downward pressure on the Japanese economy into 2009. In response to workers' subsequent feelings of economic insecurity, unions plan to lobby for wage increases during annual negotiations and for an increase in the minimum wage. Japan's main trade union confederation also signed a joint policy statement with the opposition Democratic Party of Japan (DPJ) October 2. The statement, which emphasizes voters' livelihood concerns, is part of the groups' campaign preparations in case PM Aso calls for Lower House elections. End summary.

Financial Situation Drives New Union Demands

2. (C) Financial turmoil in the United States is exacerbating the downturn in Japan's real economy, Japanese Trade Union Confederation (Rengo) Assistant General Secretary Naoto Ohmi told EMIN October 3. Noting Japan's economic contraction in the second quarter of 2008, he said unions are worried about the decline in stock prices in the United States and Japan, the effects of the credit crunch, a pulling back of U.S. financial and real estate firms from Japan's economy, and "import inflation" brought on by commodity prices. Ohmi forecast continued downward pressure on the economy into 2009 and expressed concerns about rising unemployment.

3. (C) Ohmi said Rengo's negotiating positions will reflect those economic developments when annual wage negotiations are held in the Spring of 2009. Rengo's Central Committee met October 2, he explained, and decided 2009 wage increase requests must take into account changes in commodity prices as well as an amount sufficient "to allow for the betterment of people's lives." While acknowledging the overall consumer price index (CPI) remained relatively flat, Ohmi posited prices for daily necessities had risen by perhaps 4% and that

grocery store bills are affecting people more than the CPI would indicate.

¶4. (C) Rengo will also push for an increase in the minimum wage in conjunction with the opposition Democratic Party of Japan (DPJ). Ohmi stated the DPJ plans to advocate sharply raising the minimum wage to 1000 yen per hour in its election manifesto. (The national average is currently 687 and is slated to increase to 703 yen per hour by year-end.) Small- and medium-sized enterprises strongly oppose such an increase, and Ohmi volunteered it would be hard to implement, but he described it as an effective campaign slogan for the DPJ.

Joint Election Preparations with the DPJ

¶5. (C) DPJ Leader Ichiro Ozawa attended Rengo's October 2 Central Committee Meeting, according to Ohmi, where the two organizations signed a policy agreement aimed at bringing about a change of government. The two groups routinely sign such policy agreements when elections are expected, but Ohmi said it was the first time for Ozawa and Rengo President Takagi to participate in a joint signing, and he described Rengo members as "excited and energized" by Ozawa's presence. While the timing of elections remains unclear (reftel), the policy agreement prepares the way for cooperative campaign activities in case PM Aso dissolves the Diet.

¶6. (U) The joint policy statement lays out nine initiatives to reduce inequality and "achieve a fair society" by creating

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a Japan where "anyone can have secure employment and a secure livelihood." Key pledges include efforts to revitalize rural regions, rejuvenate small- and medium-sized businesses, improve and expand the employment safety net, increase the number of full-time career jobs, create a better work-life balance, and support the agriculture, forestry, and fisheries industries.

¶7. (C) Ohmi summarized the politics behind the policy pledges by saying average people feel insecure about the future, about rising inequality in Japan, and about basic livelihood issues such as food safety. He ventured that continued deregulation over the years, as championed by former PM Koizumi, had led to those feeling of insecurity. "Now is the time to correct that trend," he concluded.

SCHIEFFER